

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
May 24, 2006
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Wednesday May 24, 2006 a Regular Meeting of the Illinois Gaming Board (“Board”) was held in the conference room of the Gaming Board Offices on the 3rd floor at 160 N. LaSalle for closed session.

The following Board Members were present: Chairman Aaron Jaffe, Members Charles Gardner, Joseph Moore, Eugene Winkler and James Sullivan.

At 12:00 P.M. Chairman Jaffe called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Personnel matters;**
- 2. Pending Litigation;**
- 3. Investigations concerning applicants and licensees; and**
- 4. Closed Session Minutes.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

The Board convened its Open session at 1:46 P.M. pursuant to motion.

Approval of Minutes

Member Sullivan moved that **the Board approve the closed and open session minutes of its Regular Meeting of April 17 & 18, 2006**. Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

Chairman's Report/Comments

The Chairman stated he would like to introduce our new Deputy Administrator of Investigations, Tommie Wofford. Tommie has been with the Gaming Board since its inception. Tommie brings tremendous knowledge, and worked as Jim Wagner's right hand man. The Chairman went on to state that we try to promote from within and trusts that he will continue to do a great job. He also stated that Mark Ostrowski is doing a tremendous job and that all the staff are doing a great job. The Chairman went on to state that Kathy is doing a great job and heads our Springfield office as well as making sure our budget is intact. We have also received a clean bill of health from the Auditor General which is our sixth year in a row.

Member Winkler went on to state the Board and staff have been working diligently with Tom Swoik and the Illinois Casino Gaming Association in reference to our self-exclusion program. At our next open meeting on June 22, we will issue a statement in reference to the program.

Member Gardner stated that he would like to comment on the Casino Rock Island Annual Report and was disappointed with the amount of charitable contributions. The Board understands that Casino Rock Island is focusing on their expansion, but the Board believes that they could be doing more in terms of supporting their community. Member Gardner commended the Grand Victoria Foundation on their charitable contributions. Their efforts are exemplary, they have provided more than \$10M to their community, their foundation is well organized, well staffed, and doing exactly what the Board thinks a good corporate citizen should be doing for its community.

Member Winkler also commended Grand Victoria on a job well done. He went on to state that he also was dismayed with Casino Rock Island on the amount of its charitable giving, and also about the fact that they have not further developed their social investment strategy. Member Winkler was impressed with the amount of charitable donations the Grand Victoria Foundation have made.

Legislative Update – IGB Legislative liaison, Caleb Melamed reported on various legislation from the General Assembly's spring session.

Gaming Board budget

Senate Bill 1520 (Senator Trotter/ Speaker Madigan), which has been signed by the Governor, enacts the State budget for the 2007 State Fiscal Year (July 1, 2006—June 30, 2007). This budget includes **100%** of the Gaming Board's original budget request for FY 2007. Senate Bill 1520 provides the Gaming Board with an operating appropriation for FY 2007 of \$18,694,500. This amount is nearly \$3 million, or 19.8%, higher than the board's current, FY 2006 appropriation of \$15,600,400. The personal services line item for FY 2007 is \$6,060,700, compared to \$5,375,000 for FY 2006, an increase of 12.7%. The higher appropriation for personal services will allow the board to hire 9 additional agents and one additional information technology (IT) specialist. The line item for expenses relating to the Illinois State Police will be \$8,300,000 in FY 2007, compared to \$7,100,000 in FY 2006, an increase of 16.9%. This increased amount will allow the board to use the services of additional State Police officers.

Separation Legislation

House Bill 4998 (Representatives Dunkin--Lang) makes the Gaming Board a separate State agency in the executive branch, removing it from the jurisdiction of the Department of Revenue. The powers of the board under this legislation would be analogous to those of other independent boards and commissions exercising regulatory authority over important aspects of the State and its economy, such as the Illinois Commerce Commission, Pollution Control Board, Labor Relations Boards, and Workers' Compensation Commission. At present, House Bill 4998 remains in the House Gaming Committee.

The gaming industry is highly specialized and technological, and therefore requires expert regulation. The Gaming Board is the only entity in State government with the necessary expertise to effectively regulate this complex industry. Separating the Gaming Board from the Department of Revenue will allow the Gaming Board to promptly and efficiently implement its regulatory agenda. It will also give the board a direct, unmediated channel to the Governor's office.

During the current year, *\$674.1 million* in gaming taxes and fees will go into the Education Assistance Fund. In light of the important and growing importance of gaming revenues to the State's overall budget, and in particular to the State's expenditures for education, the establishment of the Gaming Board as an agency with independent regulatory powers is, in the board's view, essential.

Base payments -

Senate Bill 1977 (Senator Schoenberg/Speaker Madigan), which has passed both Houses, is a budget implementation bill pertaining to the "base payments" owed by the riverboat licensees. The background of this legislation is the following: Public Act 93-27, effective July 1, 2003, temporarily provided for a higher schedule of privilege taxes payable by riverboat licensees, with the maximum tax rate rising from 50% to 70% of Adjusted Gross Receipts (AGR).

On July 1, 2005, the privilege tax schedule provided by Public Act 93-27 sunsetted, and the privilege tax rates payable by the riverboat licensees therefore reverted to their previous, lower levels. To compensate for the consequent loss of State revenues from gaming, Public Act 94-673, effective August 23, 2005, in conjunction with Senate Bill 1977, designate a specified "base payment" for each riverboat except Rock Island. Under these two pieces of legislation, if the privilege tax paid by an owner's licensee is less than a statutory base amount, the licensee is liable for an *additional* tax, equal to the difference between the amount of the privilege tax and the base amount. The goal of this provision is to make each licensee's total tax liability approximately equivalent to its tax liability before July 1, 2005, the sunset date of the higher taxing schedule provided by Public Act 93-27.

The base payment requirement is scheduled to sunset on the *earliest* of: 1) July 1, 2007; 2) the first day that riverboat operations are conducted pursuant to a dormant license; 3) the first day that riverboat operations are conducted under an additional owners license, not currently provided by statute; or 4) the first day that a licensee under the Illinois Horseracing Act conducts gaming operations with slot machines or other electronic gaming devices.

Transfer of Revenues from Gaming to Racing -

House Bill 1918 (Representative Molaro/ Senator Clayborne), which has passed both Houses, transfers specified gaming revenues to the horseracing industry. To fully understand the changes this legislation makes to existing law, a historical review is helpful. In 1999, the Illinois General Assembly enacted Public Act 91-40 (Senate Bill 1017—sponsored by Senators Weaver and Philip and Representative Brunsvold). As one of its provisions, Public Act 91-40 added Section 11.2 to the Riverboat Gambling Act, authorizing relocation of the 10th gaming license. Public

Act 91-40 also established a unique formula for the allocation of collected gaming receipts from the 10th licensee. Under this formula, 15% of the adjusted gross receipts (“AGR”) of the relocated license would be paid to the Horseracing Equity Fund, 2% would be paid to enhance the criminal justice system of Cook County, and 2% would be paid to the State Universities Athletic Capital Improvement Fund. (Later legislation, enacted in 2003 (Public Act 93-28), provided that Chicago State University, rather than the State Universities Athletic Capital Improvement Fund, would receive a 2% share of AGR from the relocated license).

The current legislation, House Bill 1918, contains the following provisions with respect to the transfer of gaming receipts:

- ? For two years following the bill’s immediate effective date, licensees of the four northeastern Illinois riverboats (Harrah’s Joliet, Empress Joliet, Hollywood Aurora, and Grand Victoria Elgin) must transfer 3% of their adjusted gross receipts (AGR) to a new, Horse Racing Equity Trust Fund, which this legislation creates as a separate fund in the State treasury. In the event the dormant riverboat license becomes active within 2 years after the bill’s effective date, it will also be liable for the 3% transfer payments. The 3% of AGR payments by the riverboat licensees will be *in addition* to all taxes that they currently owe. The language of the bill leaves unclear which entity within State government has responsibility to collect and distribute the transfer payments.
- ? Licensees of the 5 downstate riverboats in Peoria, Rock Island, East St. Louis, Alton, and Metropolis will be exempt from the above transfer payment requirement.
- ? During the two-year period that the 3% transfer payment requirement is in effect, the bill *suspends* the current provision requiring the 10th riverboat licensee to pay 15% of its AGR to horseracing. This 15% payment will be *reinstated* two years following the bill’s effective date. The legislation does *not* suspend the current provisions that entitle both Cook County and Chicago State University to 2% of AGR from the 10th licensee.
- ? The aggregate amount of the 3% transfer payments made by the four northeastern Illinois riverboats is estimated at approximately *\$38 million annually*. Beginning two years after the bill’s effective date, the 15% tax payable by the 10th licensee (once this license is awarded and becomes effective) is projected to generate at least at least *\$63 million annually* for horseracing.
- ? Because the 3% transfer payments will be imposed *in addition* to current taxes, they will not reduce the percentage of gaming revenues currently allocated to the Education Assistance Fund (“EAF”).
- ? *60% of the monies* from the 3% transfer payments will be used to increase the size of purses. Of this 60%, 57% will be distributed to thoroughbred racing and 43% to harness racing.

- ? The remaining *40% of the monies* from the transfer payments will be allocated to persons with “operating control of a racetrack.” These monies shall be used to “improve, maintain, market, and otherwise operate [their] racing facilities to conduct live racing.” Racetracks must use an unspecified portion of the monies for backstretch improvements. Of the revenues transferred to the racetracks, 11% will go to Fairmount Park, and the remainder will be allocated to the licensees on a pro rata basis, according to each racetrack’s aggregate proportion of the total handle from wagering on live races conducted in Illinois.
- ? The allocation formula will change once the 3% transfer payments cease, and the 15% transfer payments from the 10th license begin. After this point, 50% of the monies from the 10th licensee will go to purses, and 50% will go to the racetracks, with no statutory restrictions imposed by this legislation on their use.

The Chairman stated that the problems that existed for the Board before hand with regard to our independence legislation still exist. We have been moving along at a fast rate, we are just about caught up with everything that we needed to do. The Chairman went on to state that we are still experiencing inter-governmental problems and sometimes we are forced to spend so much time on problems that do not warrant the time. We will still be pushing forward for the independence legislation. There is only one other thing that the Chairman would like to mention and that is the Racinos coming into the State of Illinois. He cannot imagine this occurring because who would regulate those Racinos. The tracks have no ability to regulate those machines. The Chairman stated that he would hope that the legislature would not look to the tracks to do so. The only agency who has the equipment and the personnel to check out machines is the Gaming Board and if this expansion occurs, it would be a terrible concept in the Chairman’s opinion.

Member Gardner stated that he would like to comment on the budget. He went on to explain that the increase in terms of the budget capability in the coming year is not a windfall. This budget gets the Gaming Board’s abilities to where they need to be in terms of hiring people both at the docksites and in the home office. This is just catching us up from where it should have been three or four years ago.

Administrator’s Report

Administrator Ostrowski stated that he would like to remind everyone that our June 22nd Board meeting will be held at the Empress Casino in Joliet.

OWNER LICENSEE ITEMS

? Grand Victoria Casino - MGM's Request to Waive the Two-Meeting Rule and Request for IGB Approval of Nevada Landing Partnership as a Subsidiary Guarantor

Member Sullivan moved that **the Board not waive the two-meeting rule required by Board Rule 3000.105(e) to permit MGM to present to the Board its request for IGB Approval of Nevada Landing Partnership as a Subsidiary Guarantor.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

? Casino Queen, Inc. – Request to Sell to CP St. Louis Casino, LLC – no motion

? CP St. Louis Casino, LLC – Request to Purchase Casino Queen – no motion

Member Gardner asked for an explanation of the difference in title between the two companies. Member Gardner also noted that there was a drop dead date of the transaction of February of 2007.

Item for Final Action

? Harrah's Metropolis – Aubrey L. Thomas, Vice President of Casino Operations – Level One

Based on a review of staff's investigation and recommendation, Member Moore moved **that the Board approve Aubrey L. Thomas as a Level One of Harrah's Metropolis Casino.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

SUPPLIER LICENSEE ITEM

? U.S. Playing Cards – Jarden Corporation – Key Person

Based on a review of staff's investigation and recommendation, Member Moore moved **that the Board approve Jarden Corporation as a Key Person of U.S. Playing Cards.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

? Western Money Systems, Inc. – License Renewal

Based on a review of staff's investigation and recommendation, Member Moore moved **that the Board approve the Supplier's license of Western Money Systems, Inc. for a term of 4 years expiring May 2010.**

Further, Member Moore moved that **the Board certify and approve the following positions and individuals as Key Persons of the licensee:**

1. Chief Executive Officer;
2. President;
3. Bernard W. Boyle; and
4. Kathleen M. Boyle.

Further, Western Money Systems is authorized to supply the following kiosk devices to Illinois licensees:

1. TicketXchange/CasinoXchange (TXC/CXC);
2. DollarXchange (DXC); and
3. PointXchange (PXC).

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

? Progressive Gaming International Corporation (formerly known as Mikohn) – License Renewal

Based on a review of staff's investigation and recommendation, Member Gardner moved **that the Board approve the Supplier's license of Progressive Gaming International Corporation, formerly known as Mikohn, for a term of 4 years commencing retroactively to May 2005 and expiring in May 2009.**

The Board imposes the following conditions:

1. **Progressive Gaming International Corporation shall advise the Board of any change in accounting firms prior to the engagement of such services;**
2. **Progressive Gaming International Corporation must disclose and explain any accounting issues addressing the restatement of prior period financial reporting; and**
3. **Progressive Gaming International Corporation shall utilize an independent gaming laboratory to individually test each and every used electronic gaming device offered to Illinois casinos.**
4. **Progressive Gaming International Corporation shall, on a quarterly basis beginning July 2006, provide the Board with a status update of the shareholder class action litigation in the United States District Court in the District of Nevada [Case Number: 05-CV-0410].**

Further, Member Gardner moved that **the Board certify and approve the following positions and individual as Key Persons of the licensee:**

1. Chief Executive Officer;

- 2. President; and**
- 3. Russel H. McMeekin.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

? Paltronics, Inc. - Request for Initial License

Member Gardner commended them on the great job of building the company. Their current financial statements indicate a debt equity issue that is not clear. Member Gardner expressed concern about the lack of equity.

Based on a review of staff's investigation and recommendation, Member Winkler moved **that the Board approve the Supplier's license of Paltronics, Inc. for a term of 1 year expiring May 2007.**

Further, Member Winkler moved that **the Board certify and approve the following positions and individuals as Key Persons of the licensee:**

- 1. Chief Executive Officer;**
- 2. Chief Operating Officer;**
- 3. Angelo J. Palmisano; and**
- 4. Terri A. Cooper.**

Further, Member Winkler moved that **the Board authorize Paltronics, Inc. to provide the following products in the State of Illinois:**

- 1. One Link BSK 100 System;**
- 2. One Link FSK 200 System; and**
- 3. One Link LSK 500 System.**

Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

OCCUPATIONAL LICENSES APPROVALS & DENIALS

Based on staff's investigation and recommendation, Member Sullivan moved **that the Board approve 166 applications for an Occupational License, Level 2, and 363 applications for an Occupational License, Level 3.**

Based on staff's investigation and recommendation, Member Sullivan moved **that the Board direct the Administrator to issue Notices of Denial to the following four applicants, each of whom previously received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut that recommendation:**

- 1. Richard Coleman;**

2. **Marcia Ivy;**
3. **Jarrod L. Simmons; and**
4. **Chester Cox.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

PROPOSED COMPLAINTS AND DISCIPLINARY ACTIONS

? In re the Disciplinary Complaint of Des Plaines Development Limited Partnership d/b/a Harrah's Joliet Casino

Based on the staff's investigation and recommendation, Member Moore moved that the Board issue a Disciplinary Complaint against Des Plaines Development Limited Partnership d/b/a Harrah's Joliet Casino for its failure to comply with the Board's Rules and Minimum Internal Control Standards and other requirements in relation to the Board's Self-Exclusion Program and for its lack of supervision and control over promotional Cash Vouchers issued to casino patrons participating in various Harrah's Joliet promotions.

Further, Member Moore moved that the Board impose a fine of \$ 200,000 on Des Plaines Development Limited Partnership d/b/a Harrah's Joliet Casino. Said action to take effect twenty-one days from the date of service of the complaint unless the licensee fails to file an Answer within that time. Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

Member Gardner stated that \$200,000 is a lot of money and he and the Board want this self-exclusion program to work.

? Maurice L. Whitfield

Based on staff's investigation and recommendation, Member Winkler moved that the Board issue a Disciplinary Complaint against Maurice Whitfield, a Level 3 Occupational Licensee, for failing to comply with the Illinois Riverboat Gambling Act and the Board's Adopted Rules in relation to his admission that he was involved in the possession and distribution of marijuana at the Casino Queen.

Further, Member Winkler moved that the Board revoke Mr. Whitfield's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period. Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

? Christopher S. Miller

Based on staff's investigation and recommendation, Member Sullivan moved that the Board issue a Disciplinary Complaint against Christopher S. Miller, a Level 3 Occupational

Licensee, for failing to comply with the Illinois Riverboat Gambling Act and the Board's Adopted Rules in relation to his admission that he participated or aided in the sale or distribution of drugs at the Casino Queen.

Further, Member Sullivan moved that **the Board revoke Mr. Miller's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

? Maria Summers

Based on staff's investigation and recommendation, Member Winkler moved that **the Board issue a Disciplinary Complaint against Maria Summers, a Level 3 Occupational Licensee, for failing to comply with the Illinois Riverboat Gambling Act and the Board's Adopted Rules in relation to her theft of money while counting down a drawer.**

Further, Member Winkler moved that **the Board revoke Ms. Summers' Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

? Kerry Kelly

Based on staff's investigation and recommendation, Member Gardner moved that **the Board issue a Disciplinary Complaint against Kerry Kelly, a Level 3 Occupational Licensee, for failing to comply with the Illinois Riverboat Gambling Act and the Board's Adopted Rules in relation to his overall conduct as a Casino Host, including his misrepresentation about the well-being of an unconscious female and his failure to assist security personnel trying to enter a hotel room to check on the well-being of an unconscious female and making alcohol available to a minor.**

Further, Member Gardner moved that **the Board revoke Mr. Kelly's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

? Gene A. Maxwell

Based on staff's investigation and recommendation, Member Moore moved that **the Board issue a Disciplinary Complaint against Gene Maxwell, a Level 3 Occupational Licensee, for failing to comply with the Illinois Riverboat Gambling Act and the Board's Adopted Rules in relation to his conduct of soliciting a Casino Queen patron to engage in paid sexual activity with him.**

Further, Member Moore moved that **the Board revoke Mr. Maxwell's Occupational License. Said action to take affect twenty-one (21) days from the date of service of this complaint unless the licensee files an Answer within that time period.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

ADMINISTRATIVE HEARING/ALJ REPORTS

? In Re: The Disciplinary Action Of Sharmin Clifton, No. DC-04-12 - Occupational Licensee

Based on staff's recommendation, Member Winkler moved that **the Board accept the proposed settlement agreement and delegate to the Administrator the authority to execute such agreement.**

Further, Member Winkler moved that **the Board authorize legal counsel to present the settlement agreement to the Administrative Law Judge for disposition of this matter, Sharmin Clifton in accordance with the terms of the settlement agreement.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

? In Re: The Disciplinary Action Of Aaron Oliver, No. DC-04-13 - Occupational Licensee

Based on staff's recommendation, Member Winkler moved that **the Board accept the proposed settlement agreement and delegate to the Administrator the authority to execute such agreement.**

Further, Member Winkler moved that **the Board authorize legal counsel to present the settlement agreement to the Administrative Law Judge for disposition of this matter, in accordance with the terms of the settlement agreement.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

PUBLIC COMMENTARY

? Anita Bedell, Executive Director, Illinois Church Action on Alcohol & Addiction Problems

Anita Bedell stated that there is concern with the casinos issuing credit to gamblers at the casinos. Ms. Bedell stated that all patrons should be ID'd in some kind of way upon entering the casino. She stated the number of self excluded patrons are 3,600 gamblers total who have signed up for the program. That number has increased 600 since January of 2006. Ms. Bedell stated that casinos do not stop gamblers from gambling. Ms. Bedell stated statistics of certain gamblers and the amounts that they have lost. Ms. Bedell went on to state that the method that the Board is using is still not fool proof to the gambler. The self-exclusion program cannot work if the gambler is still getting on the boat and the gambler is still receiving promotion material from the casinos. Ms. Bedell also stated that the technology the casino company has allows it to track how much the gambler spends, why can't they keep the self-excluded registrants out of the casinos. They need to find a better way to ID the self-excluded person. Ms. Bedell asked that the Illinois Gaming Board come up with a comprehensive way to keep the self-excluded registrants out of

the casinos. Ms. Bedell stated that she is asking that the driver's license swiping policy be enacted for all casinos in the State of Illinois.

At 3:02 p.m. Member Winkler moved to adjourn . Member Gardner seconded the motion. The motion passed unanimously by roll call vote.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator